



**KWAZULU-NATAL PROVINCE**

**EDUCATION**  
REPUBLIC OF SOUTH AFRICA

**NATIONAL  
SENIOR CERTIFICATE**

**GRADE 12**

**ACCOUNTING P2  
PREPARATORY EXAMINATION  
SEPTEMBER 2023**

**MARKS: 150**

**TIME: 2 Hours**

This question paper consists of 13 pages, a formula sheet and an Answer Book of 9 pages.

**INSTRUCTIONS AND INFORMATION**

**Read the following instructions carefully and follow them precisely.**

1. Answer ALL the questions.
2. A special ANSWER BOOK is provided in which to answer ALL the questions.
3. Show ALL workings in order to achieve part-marks.
4. You may use a non-programmable calculator.
5. You may use a dark pencil or blue/black ink to answer the questions.
6. Where applicable, show all calculations to ONE decimal point.
7. A Financial Indicator Formula Sheet is attached at the end of this question paper.
8. Write neatly and legibly.
9. Use the information and table below as a guide when answering the question paper.  
Try NOT to deviate from it.

QUESTION	TOPIC	MARKS	MINUTES
1	Cost Accounting	40	30
2	Stock Valuation and internal control	30	25
3	Cash Budget and internal control	45	35
4	Bank and Creditors Reconciliation	35	30
TOTAL		150	120

**QUESTION 1: COST ACCOUNTING****(40 marks, 30 minutes)**

- 1.1** Choose an example from COLUMN B that matches a cost category in COLUMN A. Write only the letter (A-D) next to the question numbers (1.1.1 to 1.1.3) in the ANSWER BOOK, e.g 1.1.4 E.

COLUMN A	COLUMN B
1.1.1 Selling and distribution cost	A Raw materials used in the factory
1.1.2 Factory overheads cost	B Advertising expenses
1.1.3 Direct material cost	C Office telephone account
	D Salary of the factory foreman

(3 x 1) (3)

**1.2 SUPER CALCULATORS**

Super Calculators, owned by Cebile Sibiya, manufactures calculators. Cebile buys material from local suppliers. The information relates to the financial year ended 30 June 2023.

**REQUIRED:**

- 1.2.1 Complete the Production Cost Statement for the year ended 30 June 2023. (10)
- 1.2.2 Complete the Abridged Statement of Comprehensive Income for the year ended 30 June 2023. (11)

**INFORMATION:**

- A.** The business uses the FIFO method of valuing stock.
- B.** The following balances appeared in the books:

	30 June 2023	1 July 2022
Raw materials	R400 000	R150 000
Work-in-progress	R110 000	R250 000
Finished goods	6 100 units	R900 000 (5 000 units at R180 each)

- C.** Raw material issued to production is the missing figure.

**D.** Salaries and wages amounted to R1 500 000 for the financial year. 60% of the figure is attributed to wages of the employees who work directly on the production.

**E.** Factory overheads cost:

The bookkeeper calculated the factory overhead cost as R700 000. However, he made the following errors:

- He included the entire amount for water and electricity, R160 000 to the factory overheads cost, instead of allocating it in the ratio 4 : 3 : 3 for factory, sales and office respectively.
- The factory insurance expense, 40% of R125 000, was not taken into account.

**F.** 18 000 calculators were manufactured during the financial year at a cost of R200 each.

**G.** The following cost items were correctly calculated after taking into account the above information:

- Selling and distribution costs R470 000
- Administration costs R380 000

**H.** The selling price per calculator was R270



### 1.3 CATO RIDGE MANUFACTURERS

Cato Ridge Manufacturers produces and sells one type of kettle. The business is owned by Mandy James.

#### REQUIRED:

- 1.3.1 Explain why it is important to calculate the expected break-even point for a business at the beginning of a financial year. (2)
- 1.3.2 Mandy feels that she can improve the sales of kettles. Provide TWO suggestions on how this can be achieved. (4)
- 1.3.3 Mandy was concerned about the increase in the fixed cost per unit of kettles. What would you say to her? Provide ONE point and quote figures to support your answer. (2)
- 1.3.4 Except for a general increase in wages due to inflation, give TWO other reasons for the increase in direct labour costs per unit. In each case, provide a practical solution to address this. (4)
- 1.3.5 Mandy wants to increase production by 700 units during the next financial year while maintaining costs. Calculate the additional profit that she will achieve. (4)

#### INFORMATION:

	30 June 2023	30 June 2022
	UNIT COST	UNIT COST
<b>Variable costs:</b>	<b>337</b>	<b>277</b>
Direct material	142	140
Direct labour	160	102
Selling and distribution	35	35
<b>Fixed costs:</b>	<b>175</b>	<b>120</b>
Factory overheads	125	75
Administration	50	45
Selling price per unit	540	450
Number of units produced and sold	1 200	2 000
Break-even point	1 035 units	1 388 units



## QUESTION 2 INVENTORY VALUATION (30 marks, 25 minutes)

The information relates to Newcastle Traders for the year ended 30 April 2023. The business is owned by Ganesha Pillay. The business sells one type of running shoes as well as soccer boots.

NOTE: All units are regarded as PAIRS of shoes.

### 2.1 RUNNING SHOES

#### REQUIRED:

- 2.1.1 Calculate the selling price per unit for running shoes. (2)
- 2.1.2 Calculate the value of the closing stock on 30 April 2023 using the weighted average method. (8)
- 2.1.3 It was discovered that a number of running shoes were shoplifted. Calculate the number of the missing shoes. (4)
- 2.1.4 Provide TWO strategies that Ganesha should implement to prevent the loss of stock in future. (2)

#### INFORMATION:

##### A. Balances:

	UNITS	UNIT PRICE	AMOUNT (R)
Opening stock	200	377	75 400
Closing stock	430	?	?

##### B. Purchases:

	NUMBER OF UNITS	UNIT PRICE R	TOTAL R
May 2022	600	520	312 000
November 2022	800	750	600 000
March 2023	300	650	195 000
<b>TOTAL</b>	<b>1 700</b>		<b>1 107 000</b>

##### C. Sales:

- 1 465 units sold.
- Sales amounts to R1 758 000 for the year ended 30 April 2023.

##### D. Carriage on purchases:

The business contracted with MGM transport at a fixed rate of R10 per unit delivered to the store.

##### E. Returns to suppliers

20 damaged pairs from the November 2022 purchases were returned to the supplier. The supplier agreed to reverse the total cost price paid, excluding carriage on purchases.

## 2.2 SOCCER BOOTS

### REQUIRED:

2.2.1 Calculate the stock turnover rate of soccer boots for 2023.  
(Use the average stock). (5)

2.2.2 Explain whether Ganesha should be concerned about the stock turnover rate.

**Note:** It was 5 times in 2022. (3)

2.2.3 Ganesha is not satisfied with the performance of soccer boots section. Identify TWO problems, quoting figures and trends. Provide a solution to each problem. (6)

### INFORMATION:

	2023	2022
Working days per year	264	264
Days worked	172	263
Cost of sale	R168 380	R390 000
Units on hand	296	94
Value of closing stock	R105 000	R63 380
Stock turnover rate	?	5 times
Units returned to supplier	45	21
Units sold	515	820
Advertising	R20 000	R12 000



**QUESTION 3****BUDGETING AND INTERNAL CONTROL****(45 marks, 35 minutes)****3.1 JOZINI STORES**

You are provided with information relating to Jozini Stores for the two months ended 30 October 2023.

**REQUIRED:**

- 3.1.1 Complete the Debtors' Collection Schedule for the two months ending 30 October 2023. (10)
- 3.1.2 Calculate the figures indicated by (i)–(vi) on the incomplete Cash Budget provided. (13)
- 3.1.3 Calculate the Average Debtors' Collection period (in days). (5)
- 3.1.4 The owner wants to purchase the business premises rather than renting. Provide ONE advantage and ONE disadvantage of this option. (2)
- 3.1.5 You are provided with figures for September 2023, for the items listed below. Comment and provide ONE point of advice on each expense item. Quote figures and trends. (6)

	SEPTEMBER 2023	
	BUDGETED	ACTUAL
Water and electricity	R36 000	R42 800
Advertising	R13 000	R 9 500

**INFORMATION:****A. Monthly total sales**

	Actual	Expected
August 2023	740 000	
September 2023		660 000
October 2023		700 000

- 70% of all sales are cash sales.
- The business sells goods at cost price plus 25% mark-up.

**B. Purchases:**

- Stock is replaced on a monthly basis.
- 60% of all purchases are for cash.
- Creditors are paid in full one month after date of purchase less 3% discount.





**C. Debtors pay according to the following trend:**

- 30% pay in the month of sale and receive a 5% discount.
- 40% pay in the first month after the date of sale.
- 25% pay in the second month after the date of sale.
- 5% is irrecoverable.

**D. Debtors' Collection Schedule for the two months ending 31 October 2023**

Month	Credit sales	September	October	Bad debts
July 2023	?	?	0	10 200
August 2023	222 000	88 800	55 500	11 100
September 2023	?	56 430	?	
October 2023	210 000		?	
Total				

**E. Balances and totals**

Debtors Control Account

- 1 July 2022, R104 600
- 30 June 2023, R128 400
- Total credit sales for the year ended 30 June 2023, R2 100 000.

**F. Cash Budget for the two months ending 31 October 2023**

RECEIPTS	SEPTEMBER	OCTOBER
Cash sales	462 000	(i)
Collection from debtors	?	?
Fixed deposit: Trinity Bank 9% p.a.		150 000
Loan: Trinity Micro lenders		540 000
PAYMENTS	SEPTEMBER	OCTOBER
Cash purchase of trading stock	(ii)	336 000
Payment to creditors	229 696	(iii)
Repayment of loan		9 000
Interest on loan		(iv)
Rent expense	(v)	48 600
Water and electricity	36 000	36 000
Advertising	13 000	15 000
Sundry expenses	94 800	107 300

- Jozini Stores successfully negotiated a R540 000 loan with Pinetown Micro Lenders at 12% p.a. interest. Interest is not capitalised. The loan will be received on 1 October 2023 and is repayable in 60 equal monthly installments commencing on the 31 October 2023.
- Rent expense is expected to increase by 8% from 1 October 2023.

### 3.2 ZULU JACKETS

Khumalo Msizi is the owner of Zulu Jackets, specializing in leather jackets. He has three different branches that are managed by Phumzile, Peggy and Parvati. He is concerned that the branches are not running effectively and gave you the following information to analyse for June 2023.

#### REQUIRED:

Identify ONE problem at each branch. Quote figures to support the problem identified and give Msizi advice on how to solve the problem in each case.

(9)

#### INFORMATION:

	<b>Branch 1 Phumzile</b>	<b>Branch 2 Peggy</b>	<b>Branch 3 Parvati</b>
Number of items sold	400	310	170
Returns from customers for the month	8	3	15
Stock holding period	120 days	30 days	60 days
Days worked per week	Monday to Sunday	Monday to Friday	Monday to Saturday
Stock stolen/lost in the month	20 Jackets	0	1 Jacket
Advertising	R750	R600	R500
Cash deposited	R470 400	R308 400	R186 000
Price per jacket is R1 200			



**QUESTION 4: RECONCILIATIONS****(35 marks, 30 minutes)****4.1 BANK RECONCILIATION**

The information relates to Bingoma Traders for July 2023. The Bank statement shows transactions up to the 25<sup>th</sup> of July 2023 and the business prepares a bank reconciliation after receiving the statement.

**REQUIRED:**

- 4.1.1 Calculate the correct totals for the Cash Journals on 31 July 2023 in the table provided in the ANSWER BOOK. (7)
- 4.1.2 Prepare the Bank Reconciliation Statement on 31 July 2023. (7)
- 4.1.3 **Refer to Information C:** Explain whether the business made the right decision in alerting the bank about the deposit of R9 800 on 25 July 2023. (2)

**INFORMATION:****A. Bank Reconciliation Statement on 30 June 2023:**

Favourable balance as per Bank Statement		R18 400
Outstanding deposit:	Dated 28 June 2023	12 730
Outstanding EFT's	No. 632	13 200
	No. 633	2 630
Favourable balance as per Bank Account		15 300

**B. On 31 July 2023, the provisional totals in the Cash Journals were:**

- Cash Receipts Journal, R510 600
- Cash Payments Journal, R487 300



**C. Information on the July 2023 Bank Statement which did not appear in the July 2023 Cash Journals:**

DATE		DETAILS	DEBIT	CREDIT
June	29	Deposit		R12 730
	29	EFT – 632	R13 200	
	30	Deposit		R6 250
July	01	EFT – 633	R6 230	
	05	Petty Insurers	R1 850	
	05	Petty Insurers	R1 850	
	15	Debit card withdrawal	R1 000	
	20	Transaction fees	R425	
	24	Interest on current account		R290
	25	Voda Administrators		R9 800

The deposit on the 30<sup>th</sup> June was for a rent income from a tenant, Kelly Ngubane.

EFT No. 633 on the 1<sup>st</sup> July appeared correctly on the Bank Statement.

A debit order on the 5<sup>th</sup> July, R1 850 for the monthly insurance appeared twice on the Bank Statement, but no entry has been made in the Journals. The bank will rectify this on the Bank Statement next month.

Debit card withdrawal on the 15<sup>th</sup> was for petrol to the business vehicle. The driver did not submit the slip to the bookkeeper.

The deposit on the 25<sup>th</sup> was incorrectly deposited to Bingoma Traders. The bank was notified.

**D. The following entries only appeared in the Cash Journals for July 2023:**

A deposit of R10 000 (dated 29 July 2023)  
EFT No. 655, R7 095

**E. Bank Statement balance on 31 July 2023, R43 310 (favourable).**



## 4.2 CREDITORS RECONCILIATION

The Creditors' Control account and Creditors' List of Titanic Traders were prepared by an inexperienced bookkeeper. He identified the following figures at the end of the month:

- Creditors' Control balance R74 720
- Creditors' list total R32 600

### REQUIRED:

- 4.2.1 Briefly explain how the preparation of a creditors' reconciliation as an internal control measure can assist the business in managing creditors effectively. Provide TWO points. (4)
- 4.2.2 Use the table provided to indicate the changes that must be made in the Creditors' Control account and Creditors' List to take into account the errors and omissions noted. Indicate the increase or decrease with a (+) or (-) with each amount. (9)
- 4.2.3 **Refer to information B.**  
An investigation into the transaction relating to the credit purchase from Ngwelezane Ltd revealed that Philani Luthuli (purchasing manager) ordered goods for himself. These goods were not taken into stock.  
  
State THREE internal control measures that the business can use to prevent similar incidents from happening in future. (6)

### INFORMATION:

#### Errors and omissions noted:

- A. The total of the Creditors' List was undercast by R900.
- B. A credit purchase from Ngwelezane Ltd for R3 720 was not recorded in the books of the business.
- C. Trading stock returned to Osizweni Ltd, R720, was entered correctly in the Creditors Allowances Journal (CAJ), but was posted as R270 to the Creditors' account of Osizweni Ltd.
- D. The Creditors Control total in the Cash Payments Journal is R16 400. The bookkeeper credited this to the Creditors Control account by mistake.
- E. An invoice for R8 870 for stock purchased from Mini Market on account has been correctly recorded in the Creditors Journal, but has not been posted to their account in the Creditors Ledger.

**TOTAL MARKS: 150**



**GRADE 12 ACCOUNTING FINANCIAL INDICATOR FORMULA SHEET**

$\frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Gross profit}}{\text{Cost of sales}} \times \frac{100}{1}$
$\frac{\text{Net profit before tax}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Net profit after tax}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$
Total assets : Total liabilities	Current assets : Current liabilities
(Current assets – Inventories) : Current liabilities	Non-current liabilities : Shareholders' equity
(Trade and other receivables + Cash and cash equivalents) : Current liabilities	
$\frac{\text{Average trading stock}}{\text{Cost of sales}} \times \frac{365}{1}$	$\frac{\text{Cost of sales}}{\text{Average trading stock}}$
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$	$\frac{\text{Average creditors}}{\text{Cost of sales}} \times \frac{365}{1}$
$\frac{\text{Net income after tax}}{\text{Average shareholders' equity}} \times \frac{100}{1}$	$\frac{\text{Net profit after tax}}{\text{Number of issued shares}} \times \frac{100}{1}$ (*See note below)
$\frac{\text{Net income before tax} + \text{Interest on loans}}{\text{Average Shareholders' equity} + \text{Average non-current liabilities}} \times \frac{100}{1}$	
$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$
$\frac{\text{Total fixed costs}}{\text{Selling price per unit} - \text{Variable costs per unit}}$	
<b>NOTE</b> <ul style="list-style-type: none"> <li>In this case, if there is a change in the number of issued shares during a financial year, the weighted-average number of shares is used in practice.</li> </ul>	





## ACCOUNTING P2

## ANSWER BOOK

### PREPARATORY EXAMINATION

Name: \_\_\_\_\_ Grade: \_\_\_\_\_

QUESTION	TOTAL MARKS	LEARNER MARKS	MOD BY THE SCHOOL	MOD BY THE CLUSTER	MOD BY THE PROVINCE
1	40				
2	30				
3	45				
4	35				
TOTAL	150				

This answer book consists of 9 pages.



QUESTION 1

1.1	Choose an example from COLUMN B that matches a cost category in COLUMN A. Write only the letter (A-D) next to the question numbers (1.1.1 to 1.1.3) in the ANSWER BOOK, e.g 1.1.4 E.
1.1.1	
1.1.2	
1.1.3	

3

1.2.1	PRODUCTION COST STATEMENT FOR THE YEAR ENDED 30 JUNE 2023
Prime cost	
Total cost of production	
Work in process – beginning of the year	250 000
Total cost of production of finished products	

10

1.2.2

ABRIDGED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2023	
Sales	
Cost of sales	
Gross Profit	
Net profit for the year	



1.3.1	Explain why it is important to calculate the expected break-even point for a business at the beginning of a financial year.		<div></div> <div>2</div>				
1.3.2	Mandy feels that she can improve the sales of calculators. Provide TWO suggestions on how this can be achieved.		<div></div> <div>4</div>				
1.3.3	Mandy was concerned about the increase in the fixed cost per unit of calculators. What would you say to her? Provide ONE point and quote figures to support your answer.		<div></div> <div>2</div>				
1.3.4	Except for a general increase in wages due to inflation, give TWO other reasons for the increase in direct labour costs per unit. In each case, provide a practical solution to address this.		<div></div> <div>4</div>				
<table border="1"> <thead> <tr> <th data-bbox="188 1263 785 1330">Possible reason</th> <th data-bbox="785 1263 1404 1330">Solution</th> </tr> </thead> <tbody> <tr> <td data-bbox="188 1330 785 1487"></td> <td data-bbox="785 1330 1404 1487"></td> </tr> <tr> <td data-bbox="188 1487 785 1767"></td> <td data-bbox="785 1487 1404 1767"></td> </tr> </tbody> </table>		Possible reason		Solution			
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1.3.5	Mandy wants to increase production by 700 units during the next financial year while maintaining costs. Calculate the additional profit that she will achieve.		<div></div> <div>4</div>				
<table border="1"> <thead> <tr> <th data-bbox="188 1868 1085 1935">WORKINGS</th> <th data-bbox="1085 1868 1404 1935">ANSWER</th> </tr> </thead> <tbody> <tr> <td data-bbox="188 1935 1085 1991"></td> <td data-bbox="1085 1935 1404 1991"></td> </tr> </tbody> </table>		WORKINGS		ANSWER			
WORKINGS	ANSWER						

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TOTAL MARKS
40



QUESTION 2

2.1.1 Calculate the selling price per unit for running shoes.

WORKINGS	ANSWER
	

2

2.1.2 Calculate the value of closing stock on 30 April 2023 using weighted average method.

WORKINGS	ANSWER


8

2.1.3 It was discovered that a number of running shoes were shoplifted. Calculate the number of the missing shoes.

WORKINGS	ANSWER

4

2.1.4 Provide TWO strategies that Ganesha should implement to prevent the loss of stock in future.


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2.2.3

Ganesh is not satisfied with the performance of soccer boots. Identify TWO problems by quoting figures and trends. Provide a solution to each problem.

PROBLEM	SOLUTION / ADVICE
Problem 1 	
Problem 2	

6

2.2.1

Calculate the stock turnover rate of soccer boots for 2023.

(Use the average stock).

WORKINGS	ANSWER

5

2.2.2

Explain whether Ganesh should be concerned about the stock turnover rate.

NOTE: It was 5 times in 2022.


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3




TOTAL MARKS
30



QUESTION 3

3.1.1




DEBTORS' COLLECTION SCHEDULE FOR THE TWO MONTHS ENDING 31 OCTOBER 2023				
Month	Credit Sales	September	October	Bad debts
July				10 200
August	222 000	88 800		11 100
September		56 430		
October	210 000			


10

3.1.2

Calculate the figures indicated by (i)–(v) on the Cash Budget.		
	WORKINGS	ANSWER
(i)		
(ii)		
(iii)		
(iv)		
(v)		



13

3.1.3	Calculate the average Debtors' Collection period in days.	
	WORKINGS	ANSWER
		

5



3.1.4

The owner wants to purchase the business premises rather than renting. Provide ONE advantage and ONE disadvantage of this option.

ONE advantage	ONE disadvantage

2

3.1.5

Comment and provide one point of advice on each expense item. Quote figures and trends.

	Comment	Advice
Water and Electricity		
Advertising		

6

3.2

Identify ONE problem at each branch. Quote figures to support the problem identified and give Msizi advice on how to solve the problem in each case.

	PROBLEM AND FIGURE	SOLUTION
Branch 1 Phumzile		
Branch 2 Peggy		

9



Branch 3 Parvati		
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TOTAL MARKS
45

## QUESTION 4

### 4.1 BANK RECONCILIATION

4.1.1

CASH RECEIPTS JOURNAL	CASH PAYMENT JOURNAL
R	R
510 600	487 300

7

4.1.2	BANK RECONCILIATION STATEMENT ON 31 JULY 2023		
		DEBIT	CREDIT
	Balance per Bank Statement		

Balance as per Bank Account		

#### ALTERNATIVE FOR ONE COLUMN

4.1.2

##### BANK RECONCILIATION STATEMENT ON 31 JULY 2023

Balance per Bank Statement	
Balance as per Bank Account	

4.1.3

Explain whether or not the business made the right decision in alerting the bank about the deposit of R9 800 on 25 July 2023.

--

4.2

#### CREDITORS RECONCILIATION

- 4.2.1 Briefly explain how the preparation of a creditors' reconciliation as an internal control measure can assist the business in managing their creditors effectively. Provide TWO points.



- 4.2.2 Use the table provided to indicate the changes that must be made in the Creditors' Control account and Creditors' List in the books of Titanic Traders to take into account the errors and omissions noted. Indicate the increase or decrease with a (+) or (-) with each amount. Show brackets as alternative method.

	Creditors' Control R	Creditors' List R
Provisional balance/total	74 720	32 600
A		
B		
C		
D		
E		

- 4.2.3 State THREE internal control measures that the business can use to prevent similar incidents from happening in future.



TOTAL MARKS
35





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**GRADE 12**

**ACCOUNTING P2**

**MARKING GUIDELINES**

**PREPARATORY EXAMINATION**

**SEPTEMBER 2023**

**MARKS: 150**

**MARKING PRINCIPLES:**

1. Unless otherwise stated in the marking guidelines, penalties for foreign items are applied only if the candidate is not losing marks elsewhere in the question for that item (no penalty for misplaced item).
2. Penalties for placement or poor presentation (e.g. details) are applied only if the candidate is earning marks on the figures for that item.
3. Unless otherwise stated, give full marks for correct answer. If answer incorrect, mark the workings.
4. If a pre-adjustment figure is shown as the final figure, award part-mark as a working mark for that figure (not the method mark for the answer). **Note:** if figures are stipulated in memo for components of workings, these do not carry the method for final answer as well.
5. Unless otherwise indicated, the positive or negative effect of any figure must be considered to award the mark. If no + or – sign or bracket is provided, assume that the figure is positive.
6. Where indicated, part-marks may be awarded to differentiate between differing qualities of answers from candidates.
7. If candidates provide more than the required number of responses, inspect all responses to give benefit to the candidate. Penalties may be applied for foreign entries if candidates earn full marks on a question (max -2 per Q).
8. This memorandum is not for public distribution, as certain items might imply incorrect treatment. The adjustments made are due to nuances in a certain question.
9. Where penalties are applied, the marks for that section of the question cannot be a final negative.
10. Where method marks are awarded for operation, the marker must inspect the reasonableness of the answer.
11. Operation' means 'Check operation'. 'One part correct' means 'Operation & one part correct'. Note: check operation must be +, -, x, ÷, or per candidate's calculation (if valid) or per memo.
12. In calculations, do not award marks for workings if numerator & denominator are swapped – this also applies to ratios.
13. In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect, indicate with a ☒.
14. Be aware of candidates who provide valid alternatives beyond the marking guideline. Note that one comment could contain different aspects.
15. Codes: f=foreign item; p=placement.

## QUESTION 1

- 1.1 Choose an example from COLUMN B that matches a cost category in COLUMN A. Write only the letter (A-D) next to the question numbers 1.1.1 to 1.1.3) in the ANSWER BOOK, e.g 1.1.4 E.

1.1.1	B✓
1.1.2	D✓
1.1.3	A✓

3

## 1.2.1 PRODUCTION COST STATEMENT FOR THE YEAR ENDED 30 JUNE 2023

Direct material cost	Missing figure	1 906 000	✓
Direct labour cost (1 500 000 x 60/100)		900 000	✓
Prime cost	Operation	2 806 000	✓
Factory overhead cost (700 000✓ – 96 000✓ + 50 000✓) (-160 000 + 64 000) One mark Operation one part correct		654 000	✓
Total cost of production	Operation	3 460 000	✓
Work in process – beginning of the year		250 000	
		3 710 000	
Work in process – end of the year		(110 000)	✓
Total cost of production of finished products (200 x 18 000)		3 600 000	✓

10

## 1.2.2 ABRIDGED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2023

Sales (16 900✓ x 270) OR [(5 000 + 18 000 – 6 100) Two marks x 270] Operation one part correct	4 563 000*	✓
Cost of sales (900 000✓ + 2 380 000✓) One mark Method mark See 1.2.1 One mark OR 900 000 + (3 600 000 – 1 220 000) Operation one part correct	(3 280 000)*	✓
Gross Profit	1 283 000	✓
Administration	(380 000)	✓
Selling and distribution	(470 000)	✓
Net profit for the year	433 000	✓

11

\*Operation one part correct




1.3.1	<b>Explain why it is important to calculate the expected break-even point for a business at the beginning of a financial year.</b>		
	<b>Any valid point ✓✓</b> <b>Correct response = 2 marks</b>		
	<ul style="list-style-type: none"> <li>• Foresee any potential problems of low production.</li> <li>• No profits are made until breakeven is reached.</li> <li>• Determine the minimum number of units to be produced to prevent losses.</li> <li>• To produce enough products to set the production level that will cover all costs.</li> <li>• To identify whether productivity levels should be improved to ensure acceptable profit levels.</li> </ul>		
	<b>ONE mark incomplete/unclear answers:</b>		
	<ul style="list-style-type: none"> <li>• To produce enough products / Prevent low profits/prevent a loss / Improve efficiency / To compile a budget.</li> </ul>		2
1.3.2	<b>Mandy feels that she can improve the sales of calculators. Provide TWO suggestions on how this can be achieved.</b>		
	<b>Any TWO valid points ✓✓ ✓✓</b>		
	<ul style="list-style-type: none"> <li>• Decrease the mark-up % (or selling price)</li> <li>• Set targets for completion during normal time and try to reduce overtime pay.</li> <li>• Spend more money on advertising and sales promotion and explore new target markets</li> <li>• Allow customers to buy direct and offer discount</li> </ul>		4
1.3.3	<b>Mandy was concerned about the increase in the fixed cost per unit of calculators. What would you say to her? Provide ONE point and quote figures to support your answer.</b>		
	<b>Valid comment explaining economies of scale ✓✓</b>		
	<ul style="list-style-type: none"> <li>• Production decreased by 800 units (40%)</li> <li>• Fixed costs are not influenced by the level of production (R210 000)</li> <li>• Fixed cost per unit will be much higher (from 120 to 175).</li> </ul>		2
1.3.4	<b>Except for a general increase in wages due to inflation, give TWO other reasons for the increase in direct labour costs per unit. In each case, provide a practical solution to address this.</b>		
	<b>POSSIBLE REASON ✓✓</b>	<b>SOLUTION ✓✓</b>	
	Working slower/ De-motivated / Lazy workers / Lack of management.	Monitor normal working hours / Ensure workers complete set targets during normal time.	
	Overtime abused to get higher pay.	Monitor workers to ensure that they work efficiently during normal hours. / Claim overtime when necessary.	
	Load shedding	Energy backup system e.g. generators, solar panels	
	Lack of skills	Retraining / reskilling	4
1.3.5	<b>Mandy wants to increase production by 700 units during the next financial year while maintaining costs. Calculate the additional profit that she will achieve.</b>		
	<b>WORKINGS</b>	<b>ANSWER</b>	
	$700 \checkmark \times 203 \checkmark \checkmark$ $(540 - 337)$	$142\ 100 \checkmark$ <b>operation one part correct</b>	4

TOTAL MARKS

40

## QUESTION 2

2.1.1 Calculate the selling price per unit for running shoes.

WORKINGS	ANSWER
 $1\,758\,000 / 1465$	R1 200 ✓✓ two or nothing

2

2.1.2 Calculate the value of closing stock on 30 April 2023 using weighted average method.

WORKINGS	ANSWER
$\begin{array}{r} 75\,400 \checkmark + 1\,107\,000 \checkmark + 17\,000 \checkmark - 15\,000 \checkmark \\ \hline 200 \checkmark + 1\,700 \checkmark - 20 \checkmark \\ 1\,184\,400 \quad 4 \text{ marks} \\ 1\,880 \quad 3 \text{ marks} \\ \text{seven marks for R630} \\ = R630 \times 430 \end{array}$	R 270 900 ✓ Operation (must be $\times 430$ )


8

2.1.3 It was discovered that a number of running shoes were shoplifted. Calculate the number of the missing shoes.

WORKINGS	ANSWER
$(200 + 1\,700 - 20) \checkmark - 430 \checkmark - 1\,465 \checkmark$ Mark amounts with signs 1 880 See 2.1.2 Accept – 15 units/ +15 units / 0 units / No shoes missing	15 ✓ units missing Operation one part correct

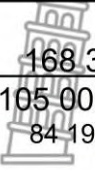
4

2.1.4 Provide TWO strategies that Ganesha should implement to prevent the loss of stock in future.

Any two valid point ✓ ✓ <ul style="list-style-type: none"> <li>Improve stock control methods (regular stock take).</li> <li>Division of duties: person ordering is not same person to one receiving goods to one packing to one recording transactions in the accounting records</li> <li>Proper safeguarding of stock while in storage</li> <li>Security guards at exit points and limited access to the storeroom</li> </ul> 
---

2

2.2.1 Calculate the stock turnover rate of soccer boots for 2023.  
(Use the average stock).

WORKINGS	ANSWER
 $\frac{168\,380}{\frac{1}{2} (105\,000 + 63\,380)}$ <p>84 190 (three marks)</p>	<p>2 times <input checked="" type="checkbox"/></p> <p>one part correct</p>

5

2.2.2 Explain whether Ganesha should be concerned about stock turnover rate. It was 5 times in 2022.

It is a concern because Stock turnover rate decreased from (5 times) to 2 times by 3 (150%).  
The stock is not sold very fast compared to last year.

3

2.2.3 Ganesha is not satisfied with the performance of soccer boots. Identify TWO problems by quoting figures and trends. Provide a solution to each problem.

PROBLEM	SOLUTION / ADVICE
<p>Problem identified with trends</p> <p>figures</p>	
<p><b>Problem 1:</b></p> <p>Days worked (172/264) 65% of work time (decreased from 99%)</p> <p>NB: only one figure or % required with the trend</p>	<ul style="list-style-type: none"> <li>Investigate the reason for the low number of days worked.</li> <li>Monitor opening and closing times and the employees' leave-taking.</li> <li>Do cost-benefit analysis to determine whether to keep this department.</li> <li>Pay workers only for days worked.</li> </ul>
<p><b>Problem 2:</b></p> <ul style="list-style-type: none"> <li>Stock turnover rate (2 times)</li> <li>Lower sales by 37% (820 – 515)</li> <li>Stock piling increased from 94 to 296 units.</li> <li>Too many returns 45 / Increase in returns from 21 to 45.</li> </ul>	<ul style="list-style-type: none"> <li>Use an ordering system and buy according to orders.</li> <li>Sacrifice profit (lower mark-up) to increase sales.</li> <li>Offer special prices / sale of boots for a limited period.</li> <li>Double check the quality of boots before sales.</li> </ul>

6

TOTAL MARKS

30





## QUESTION 3

## 3.1.1 Debtors' Collection Schedule for the two months ending 31 October 2023

Month	Credit Sales	September	October	Bad debts
July	204 000 ✓✓	51 000 ✓		10 200
August	222 000	88 800	55 500 ✓	11 100
September**	198 000 ✓✓	56 430	79 200 ✓✓	40% of credit sales
October	210 000		59 850 ✓✓	

\*\* 462 000 x 30/70 = 198 000 One method mark & One mark

Or (56 430 x 100/95) x 100/30 = 198 000

188 100 One method mark

10

## 3.1.2 Calculate the figures indicated by (i)–(v) on the Cash Budget.

WORKINGS		ANSWER
(i)	210 000 x 70/30 or 700 000 x 70% OR 700 000 – 210 000	490 000 ✓✓ two or nothing
(ii)	528 000 (660 000 x 100/125) ✓ x 0,6 ✓	316 800 ✓
(iii)	528 000 (660 000 x 100/125) x 0,4 ✓ x 0,97 ✓ One mark One mark OR 528 000 – 316 800 See (ii) x 97%	204 864 ✓✓ One part correct
(iv)	540 000 x 12/100 x 1/12	5 400 ✓✓ two or nothing
(v)	48 600/1.08 OR 48 600 x 100/108	45 000 ✓✓ two or nothing

13

## 3.1.3 Calculate the Average Debtors' Collection period in days.

WORKINGS	ANSWER
$\frac{1}{2} \times \frac{116\,500 - \frac{104\,600 + 128\,400}{2}}{2\,100\,000} \times \frac{365}{1}$	20,2 OR 20 days ✓ Operation one part correct. One part correct does not include x 365 Mark numerator and denominator as such

5

3.1.4 The owner wants to purchase the business premises rather than renting. Provide ONE advantage and ONE disadvantage of this option.

Any ONE advantage ✓	Any ONE disadvantage ✓
<ul style="list-style-type: none"> <li>• Saving on rent</li> <li>• Earn capital gains through property valuations that increase over time.</li> </ul>	<ul style="list-style-type: none"> <li>• Payment of rates and taxes;</li> <li>• Repairs and/or maintenance costs;</li> <li>• Insurance costs;</li> <li>• Interest payments on the mortgage bond</li> </ul>

2

3.1.5 Comment and provide one point of advice on each expense item. Quote figures and trends.

Expense item	Comment ✓✓ ✓✓	Advice ✓ ✓
Water and Electricity	Underbudgeted/Overspent by 6 800 / by 19%	Check for leaks (faulty cables) / Avoid wastage
Advertising	Overbudgeted/Underspent by 3 500 / by 27%	Use budgeted amount to increase the sales

6

3.2 Identify ONE problem at each branch. Quote figures to support the problem identified and give Msizi advice on how to solve the problem in each case.

	PROBLEM AND FIGURE ✓✓ ✓✓ ✓✓	SOLUTION ✓ ✓ ✓
Branch 1 Phumzile	<ul style="list-style-type: none"> <li>• 20 Jackets were stolen.</li> <li>• Stock holding period too long – 120 days.</li> </ul>	<ul style="list-style-type: none"> <li>• Introduce security measures.</li> <li>• Division of duties amongst staff.</li> <li>• Improve marketing strategy.</li> </ul>
Branch 2 Peggy	<ul style="list-style-type: none"> <li>• Cash deposited R308 400 instead of R368 400. Cash stolen (R60 000).</li> <li>• Number of days worked per week (Five - Monday to Friday)</li> </ul>	<ul style="list-style-type: none"> <li>• Division of duties (establishing segregation of duties).</li> <li>• Make daily bank deposit.</li> <li>• Improve internal control over cash.</li> </ul>
Branch 3 Parvati	<ul style="list-style-type: none"> <li>• Too many jackets returned (15).</li> <li>• Six days worked but few jackets (170) sold.</li> <li>• Lowest advertising spending R500 which results to lowest sales 170 units</li> </ul>	<ul style="list-style-type: none"> <li>• Change to a supplier who will provide quality jackets.</li> <li>• Supply correct items to clients.</li> <li>• Change to another marketing provider.</li> <li>• Improve advertising strategy.</li> </ul>

9

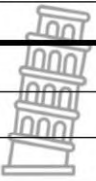
TOTAL MARKS

45



## QUESTION 4

4.1.1

CASH RECEIPTS JOURNAL	CASH PAYMENT JOURNAL
R	R
 510 600	487 300
6 250 ✓	3 600 ✓
290 ✓	1 850 ✓
	1 000 ✓
	425 ✓
517 140 ✓	Both Totals R494 175

7

4.1.2

BANK RECONCILIATION STATEMENT ON 31 JULY 2023			
	ONE COLUMN METHOD	DEBIT	CREDIT
Balance per Bank Statement	R43 310		R43 310 ✓
Credit outstanding deposit	R10 000		R10 000 ✓
Debit outstanding EFT:			
EFT No.655	(R7 095)	R7 095 ✓	
Debit incorrect amount	(R9 800)	R9 800 ✓	
Credit incorrect amount	R1 850		R1 850 ✓
Balance as per Bank Account	(R38 265)	*R38 265 ✓✓	Balancing figure
* or (15 300 + CRJ total – CPJ total)		R55 160	R55 160

7

4.1.3

Explain whether or not the business made the right decision in alerting the bank about the deposit of R9 800, on 25 July 2023.

Any ONE valid explanation ✓✓

- Good decision made to alert the bank because there was no proof of payment as future reference/No documents
- Every transaction must be supported with documentation to avoid problems which can involve stakeholders such as SARS, Banks, creditors, etc.
- The intended recipient would have complained about not receiving the money, which would have led to a disagreement or the possibility of a police investigation.
- The business must maintain its reputation as an ethical organisation.

2



## 4.2 CREDITORS RECONCILIATION

4.2.1 Briefly explain how the preparation of a creditors' reconciliation as an internal control measure can assist the business in managing their creditors effectively. Provide TWO points.

Any TWO relevant control measures

✓✓ ✓✓

- Errors and omissions can be detected and corrected.
- Fraud can be detected and minimised.
- The correct payment can be made to creditors.

4

4.2.2 Use the table provided to indicate the changes that must be made in the Creditors' Control account and Creditors' List in the books of Titanic Traders to take into account the errors and omissions noted. Indicate the increase or decrease with a (+) or (-) with each amount. Show brackets as alternative method.

	Creditors' Control R	Creditors' List R
Provisional balance/total	74 720	32 600
A		+ 900 ✓
B	+ 3 720 ✓	+ 3 720 ✓
C		- 450 ✓✓
D	- 32 800 ✓✓	
E		+ 8 870 ✓
Both totals	45 640 ✓	45 640

9

4.2.3 State THREE internal control measures that the business can use to prevent similar incidents from happening in future.

Any THREE separate, relevant control measures

✓✓ ✓✓ ✓✓

- Division of duties – Philani must not be the only person responsible for ordering and recording goods.
- Rotate duties so that employees do not have permanent control over an aspect of the business.
- Have special order forms to be signed by two people.
- Check documents regularly against deliveries.
- Do regular/random stock counts to verify stock records.

6

TOTAL MARKS

35

TOTAL MARKS: 150